BPS&M

Bryan, Pendleton, Swats & McAllister, LLC
A Wells Fargo Company

December 17, 2008

The Honorable Dale Sims
Chairman
Baccalaureate Education System Trust
State of Tennessee Treasury Department
Suite 1340, Andrew Jackson Building
Nashville, TN 37243-0253

Dear Mr. Sims:

Submitted herewith are the results of the actuarial valuation of the Tennessee Baccalaureate Education System Trust prepared as of September 30, 2008 pursuant to T.C.A. § 49-7-818. This report details information concerning the Educational Services Plan (otherwise known as the “Prepaid Plan”). This report does not contain any information relating to the Educational Savings Plan.

We trust this report will be helpful in the formulation of policy with respect to the operation and financing of the program. We appreciate the opportunity to serve the State of Tennessee, and we will be pleased to supplement this report in any way, as you request.

The actuarial valuation summarized in this report has been performed utilizing generally accepted actuarial principles. The Board has prescribed the actuarial assumption regarding tuition inflation and future investment return. We consider all of the assumptions to be reasonable taking into account the experience of the program and future expectations. It is our opinion that the results fully and fairly disclose the actuarial position of the program as of the valuation date.

The information contained in this report was prepared for the State of Tennessee in connection with our actuarial valuation of the plan. It is not intended nor necessarily suitable for other purposes. Further distribution of use of all or part of this report to other parties is expressly prohibited without BPS&M’s prior written consent.

Respectfully submitted,

Justin C. Thacker, F.S.A.

J. Sterling Price, A.S.A.

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TENNESSEE BACCALAUREATE EDUCATION SYSTEM TRUST

ACTUARIAL VALUATION AND REPORT

SEPTEMBER 30, 2008

CONTENTS

EXECUTIVE SUMMARY

An actuarial valuation of the Tennessee Baccalaureate Education System Trust ("BEST") program was conducted as of September 30, 2008. This valuation only relates to the Educational Services Plan. It does not contain any information relating to the Educational Savings Plan. The purpose of the valuation is to satisfy the requirements of T.C.A. § 49-7-818 which requires, among other things, that an actuary perform an actuarial valuation of the assets and liabilities of the fund at least once a year.

Summary of Funded Status

Generally, conclusions regarding the funded status of the program should be reached by examining the cost of the program's future obligations. Program obligations include: (i) future tuition obligations and (ii) future operational expenses.

Tuition obligations are funded by amounts received from the purchase of tuition units and investment earnings thereon. The cost of tuition obligations is expected to escalate from current unit values as a result of future tuition inflation.

Operational expenses of the BEST program are funded by (i) the per unit adjustment to the unit purchase price for expenses and (ii) that portion of the market value of assets which is reserved for future expenses (such amounts are collectively referred to as the "Administrative Reserve"). As of September 30, 2008, the Administrative Reserve has been sufficient to cover the annual expenses of the program. The current policy and practice of the program is that future annual operational expenses will be funded by the Administrative Reserve. Accordingly, future program obligations attributable to expenses are not reflected in this valuation report. Periodically, the sufficiency of the Administrative Reserve will be analyzed in a separate expense report.

The following exhibits show the funded status of the BEST program on a present value basis and on a termination basis as of September 30, 2008. There are important differences between the two approaches as discussed below.

Present Value Basis

Under the present value concept, the current value of the tuition obligations of the program is calculated by determining the fund amount that would be needed on the valuation date to satisfy those obligations. The calculation assumes that program assets earn 6.25% per annum during the period between the valuation date and the date each obligation is assumed to be satisfied. The present value amount is then compared to existing program assets. A surplus or deficit occurs when program assets either exceed or are less than the present value of benefits.

The funded status of the program on a present value basis shown below is based on a comparison of the market value of assets as of September 30, 2008 to the present value of future tuition payments. The market value of assets as of September 30, 2008 is adjusted to reflect reserves held for future operational expenses.

The present value of future payments was calculated and aggregated for each beneficiary as of September 30, 2008 using the investment return, tuition inflation and tuition unit usage assumptions provided in the Summary of Actuarial Assumptions.

Market Value of Assets	$	82,867,795
Present Value of Future Payments from the Trust Fund		(95,588,406)
Surplus/(Deficit)	$	(12,720,611)
Funded Percentage		86.69%

Termination Basis

In addition to the Present Value Basis discussed above, the funded status of the program has also been determined on a termination basis. This approach is of limited value in evaluating the ongoing funding status of the program but is useful as a short-term evaluation measure. The funded status of the program on a termination basis is based on a comparison of the market value of assets as of September 30, 2008 to the payout value of all tuition units outstanding as of September 30, 2008. The program termination payout value is based on the weighted average tuition in effect on September 30, 2008 and does not incorporate the projection of tuition unit values into the future.

Although there is no statutory requirement for the satisfaction of program liabilities on a termination basis, a comparison of the market value of assets to the termination liability as of September 30, 2008 may be helpful in analyzing a scenario whereby existing assets are used to settle the liability for outstanding units.

Market Value of Assets	$	82,867,795
Present Value of Accrued Benefits		(90,774,759)
Surplus/(Deficit)	$	(7,906,964)
Funded Percentage		91.29%

Development and Discussion of Actuarial Gain or Loss

Under the present value approach, the actuarial experience for the past year is such that an actuarial loss occurred during the period. A development of the actuarial experience is presented below.

Present Value Basis Surplus/(Deficit) from Prior Year	$	3,824,544
Expected Interest since September 30, 2007 at 6.25%		239,034
Expected Surplus/(Deficit) for Current Year		4,063,578
Actuarial Surplus/(Deficit) for Current Year		(12,720,611)
Actuarial Gain/(Loss) during Period	$	(16,784,189)

Actuarial gains and losses occur due to differences between anticipated and actual experience and may over significant periods of observation be important indicators of the accuracy of the actuarial assumptions used in determining surplus levels.

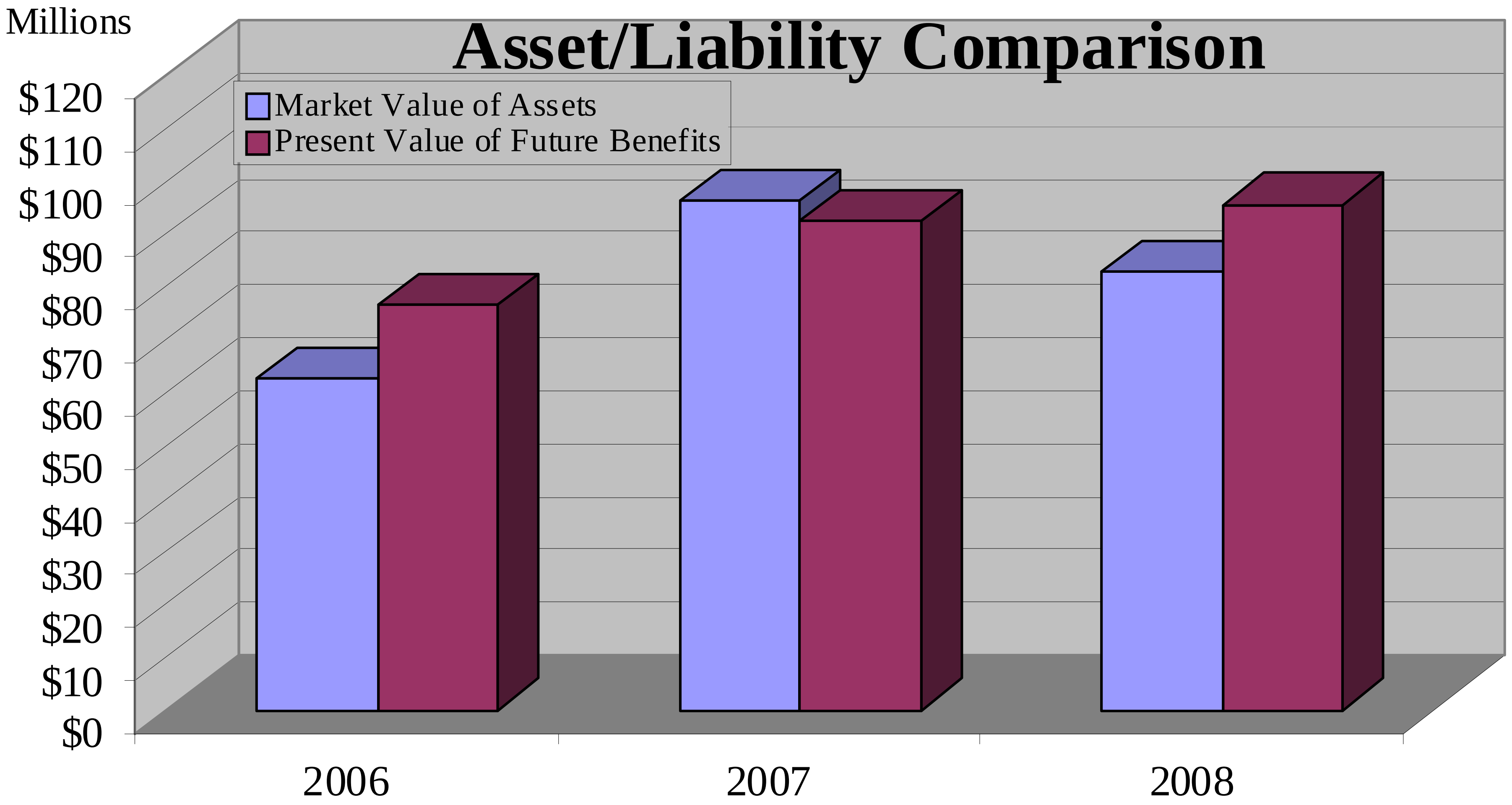
Among the identifiable sources of experience occurring during the year is an actuarial loss attributable to the investment return. The estimated market value dollar weighted investment return for the year of (12.30)% was significantly less than the actuarially assumed return rate of 6.25%. The difference in the rates of return is responsible for an actuarial loss of approximately $18,374,000.

An actuarial gain is associated with the assumed rate of tuition inflation of 7.5%. During the year, actual tuition increases were 5.8% resulting in an unexpected decrease in liabilities for contracts in effect as of September 30, 2007 and for other contracts purchased prior to the beginning of the current fiscal year. An actuarial gain of approximately $1,496,000 is attributable to the difference between assumed and actual tuition increase rates. The purchase of new units during the plan year resulted in an actuarial loss of $442,000. The loss results from the negative spread between the assumed rate of return on the assets and the future rate of tuition inflation.

In August 2004, the Board approved a surcharge on new unit purchases to reduce the likelihood of new units adding to the current deficit. This surcharge resulted in an actuarial gain of $398,000. Effective August 1, 2008, the Board approved an increase in the surcharge to $4.86 per unit.

Other sources of actuarial experience gains and losses have not been identified but result from items such as the contract transfers, contract surrenders, operation of the expense reserve account, etc.

	2007	2008
Investments	3,855,000	(18,374,000)
Tuition Inflation	(1,662,000)	1,496,000
Purchase of New Units	648,000	(442,000)
Surcharge for Actuarial Soundness	396,000	398,000
Other	85,863	137,811
Total	3,322,863	(16,784,189)



*The Market Value of Assets is adjusted to reflect reserves held for future operational expenses.

Yearly Comparison of Selected Plan Information

	Valuation Date				
	09/30/2004	09/30/2005	09/30/2006	09/30/2007*	09/30/2008
Total Contracts	8,372	8,590	9,178	9,413	9,701
Units Purchased ^	180,888	149,663	94,697	92,957	86,431
Outstanding Units	1,579,926	1,651,002	1,649,234	1,625,983	1,594,496
Present Value of Benefits	$62,994,775	$73,221,819	$76,576,504	$92,430,704	$95,588,406
Market Value of Assets	$52,623,495	$58,671,177	$62,588,068	$96,255,248	$82,867,795
Surplus/(Deficit)	($10,371,280)	($14,550,642)	($13,988,436)	$3,824,544	($12,720,611)
Funded Percentage	83.54%	80.13%	81.73%	104.14%	86.69%

* Valuation assumptions changed and additional capital contributed to program

^ Represents activity for 12-month period preceding the valuation date

Funding and Other Issues

Tuition Inflation and Fees. The 7.5% tuition inflation assumption utilized for this valuation is based on recommendations from BEST personnel in light of information concerning anticipated tuition and fee increases. This assumption was increased from 6.0% per year in 2007 after the Board conducted a study which indicated that future tuition rates were expected to increase at a rate higher than previously assumed.

Purchase of Additional Units. Under the current set of actuarial assumptions, each current unit creates an ongoing deficit on a present value basis. It is expected that future unit purchases will include an actuarial surcharge to eliminate the ongoing deficit associated with that particular unit over the expected time until payout. It is expected that future actuarial gains, actuarial surcharges, and the current surplus (and investment earnings on that surplus) will be sufficient to sustain the plan in the future.

For example, assume that a contract has a current value of $56.93 and is expected to be used one year in the future. At the assumed rate of tuition inflation of 7.5%, the contract will be worth $61.20 at the time of payout. In order to generate sufficient funds to satisfy the liability, the plan must have accumulated $57.60 presently so that earnings of $3.60 will be generated by an investment return of 6.25% during the year. Although there is no surplus or deficit generated by the contract on a plan termination basis, the single contract is responsible for an ongoing plan deficit of $0.67 on the present value basis under the current valuation assumptions and the stated assumption of the unit being used one year in the future.

Surplus/deficit Status – The surplus position of the program had deteriorated during the prior five years. This deterioration was as result of multiple years of actuarial losses caused by higher than assumed rates of actual tuition inflation and lower than assumed rates of investment return.

The use of these assumptions would hopefully decrease the likelihood that the program would experience actuarial losses going forward. However, the plan experienced extreme asset losses during the 2007-2008 plan year which caused the plan to return to a deficit status as of the current valuation date. The financial markets have all experienced severe market losses. The S&P 500 during the 2007-2008 plan year experienced a (22.0)% decrease, while the EAFE International Index had a (30.5)% decrease.

Valuation Date - Prior to September 30, 2001, reports were prepared as of the end of the calendar year. The valuation date was changed to September 30 in order to provide up-to-date information for consideration by program officials and the legislature.

Adjustment for Actuarial Soundness - Effective August 1, 2004, a surcharge of $3.71 was included in the purchase price of new units. This was done in attempt to reduce the potential effect of new units adding to the existing plan deficit. This surcharge is subject to annual review by the board. The current value of this surcharge is $4.86 as of August 1, 2008.

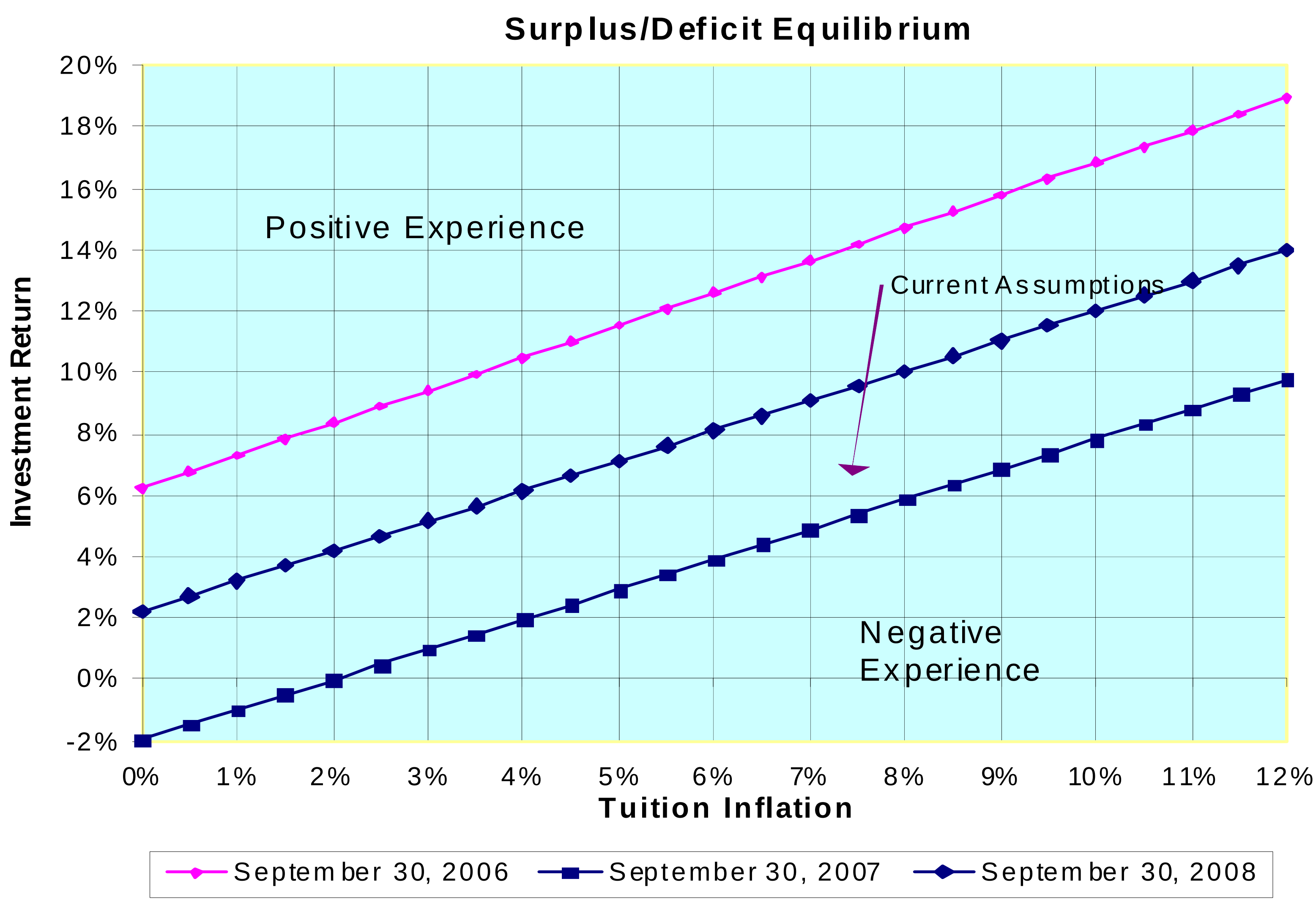
Note that this surcharge on future unit purchases does not affect the current funded status of the plan since this valuation only considers the units and funds currently in the plan as of the valuation date.

Surplus/Deficit Equilibrium

The graph on the following page may be helpful for planning purposes and for identifying potential risk for the BEST program.

The graph indicates that, for each rate of expected future tuition inflation, there exists a future investment return rate that, if realized, would result in liabilities for existing commitments exactly equaling existing assets. Under each set of these assumptions, the BEST program would be in equilibrium or balanced condition such that neither a surplus nor a deficit would be expected with respect to existing contracts. The surplus/deficit equilibrium line was determined on a present value basis using the September 30, 2008 valuation assumptions.

The equilibrium status of the program would be altered if the actual investment return rate were to exceed the equilibrium rate with the result that an asset surplus would exist after satisfaction of existing commitments. Similarly, a deficiency would occur if actual investment returns were less than the equilibrium return rate. For example, an 8.00% annual tuition rate could be satisfied by an investment return of approximately 10.06%. Higher returns would produce a surplus while lower returns would result in a deficiency. The 6.25% investment return rate assumed in producing this report in combination with an expected tuition inflation rate of 7.5% would maintain the current deficit.


Surplus/Deficit Equilibrium
Positive Experience
Current Assumptions
Negative Experience
Investment Return
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
-2%
0%
1%
2%
3%
4%
5%
6%
7%
8%
9%
10%
11%
12%
Tuition Inflation
September 30, 2006
September 30, 2007
September 30, 2008

Balance Sheet

A summary balance sheet of the funds held on behalf of the BEST program is shown below.

	September 30, 2007	September 30, 2008
Assets		
Cash/Short Term Investments	$27,605,201	$ 1,454,106
Fixed Income	30,697,397	41,594,719
Equities	39,139,221	41,382,452
Total	$97,441,819	$84,431,277
Liabilities		
Investment Purchases Payable	$ 589,711	$ 764,010
Reserve for Beneficiaries	$96,255,248	$82,867,795
Reserve for Future Expenses	596,860	799,472
Total	$96,852,108	$83,667,267

Summary of Operation

A summary of operation of the funds held on behalf of the BEST program during the preceding two plan years is presented below.

	October 1, 2006-September 30, 2007	October 1, 2007-September 30, 2008
Balance as of Beginning of Plan Year	$63,218,409	$96,852,108
Receipts		
Contributions	5,147,594	5,184,968
Administrative Fees	279,226	280,079
Transfer from General Fund	25,950,000	0
Transfer from Savings Plan	61,573	366,808
Total Receipts	31,438,393	5,831,855
Investment Earnings	8,485,927	(12,186,746)
Disbursements		
Tuition Payments	(5,121,458)	(5,549,857)
Refunds	(792,164)	(835,818)
Total Disbursements	(5,913,622)	(6,385,675)
Expenses		
Administrative Cost	(376,999)	(444,275)
Total Expenses	(376,999)	(444,275)
Preliminary Balance as of Valuation Date	$96,852,108	$83,667,267
Adjustment for cash and receivables as of Valuation Date	N/A	N/A
Balance as of Valuation Date	$96,852,108	$83,667,267

Comparative Rates of Investment Returns

The following plan and comparative market value rates of return for twelve-month periods ending on September 30 using standard industry indices may be of interest in evaluating past BEST program investment returns and future expectations.

	Total Rates of Return for		
	2006	**2007**	**2008**
BEST Program			
State Street S & P Index Fund	10.8%	16.5%	(22.0)%
State Street International Index Fund	N/A	24.9	(30.4)
Lehman Aggregate Index Fund	N/A	5.1	3.8
Domestic Fixed Income	3.5	5.1	3.8
Cash Equivalents	4.4	5.1	3.2
Total Return	5.4	12.8	(12.3)
Market Indices			
Standard & Poor's 500 Stocks	10.8%	16.4%	(22.0)%
Dow Jones Industrial Average	13.1	21.7	(19.9)
MSCI EAFE Index	19.2	24.9	(30.5)
LBGC Intermediate Bond Index	3.3	5.1	2.4
90-Day U.S. Treasury Bills	4.4	5.0	2.6

Summary of Provisions of the Program

Statutory Basis- The BEST Prepaid Plan is a qualified tuition program under Section 529 of the Internal Revenue Code, and the plan is established pursuant to T.C.A. § 49-7-801 et seq. The requirements for participation and administration of the program are contained in Chapter 1700-5-1 of the Official Compilation of the Rules and Regulations of the State of Tennessee.

Purpose - BEST was created by the Tennessee General Assembly in order to assist students and their families in financing a portion of the cost of attending colleges and universities. In that regard, BEST allows parents and other interested persons to purchase tuition units on behalf of an eligible beneficiary. Those units entitle the beneficiary to pay for qualified post secondary education expenses.

Tuition Units - Tuition costs are purchased in increments known as tuition units. One tuition unit represents one percent of the average cost, including tuition and mandatory fees, of attending a four-year undergraduate Tennessee public university. Thus, tuition and fee expenses for one academic year would be covered by roughly 100 tuition units.

Weighted Average Tuition - Each year, the board determines the weighted average tuition (“WAT”). The WAT is based on the actual tuition and actual fees at each of Tennessee’s four-year public universities for the academic year beginning on or after August 1. It is weighted based on enrollment at those schools at the beginning of the prior academic year.

Purchase Price of Tuition Units - The purchase price of a tuition unit is equal to the WAT plus a charge to cover administration and an additional charge to ensure the actuarial soundness of the program. Tuition units may be purchased (i) by automatic cash withdrawal from a checking or savings account, (ii) by automatic payroll deduction, (iii) by check, or (iv) by cash. It is the current policy of the BEST program that the purchase price remains constant during an enrollment period from August 1 to December 31. After December 31, the purchase price is increased.

Payout Value of Tuition Units – The payout value of a tuition unit is based on the WAT in effect when the beneficiary uses the unit for tuition.

Usage of Tuition Units – Tuition units may be applied toward the cost of tuition, mandatory fees and room and board at any accredited two or four-year school or any accredited graduate or professional school. Units may be used at both public and private schools. Units may be used at out-of-state schools as well as at schools located in the State of Tennessee.

Two-year Limitation on Usage of Tuition Units - Tuition units may not be used until two full years have passed following their purchase.

Limit on Number of Tuition Units Purchased - The total dollar value of tuition units which may be purchased by all persons on behalf of a single beneficiary under all contracts in the BEST Prepaid Plan may not exceed $235,000.

Rollover – A BEST purchaser may transfer funds from a BEST Prepaid account to another 529 Plan once every 12 months without incurring federal income tax.

Time Period for Use - There is no absolute time period in which the tuition units in a beneficiary’s account must be used. However, BEST may terminate an account ten years after the beneficiary attains age 18 if there has been no contact or activity during that ten-year period.

BASIS OF VALUATION

Transfer of Tuition Units - Tuition units may be transferred to a new beneficiary provided that the new beneficiary is a member of the family of the original beneficiary as defined under Internal Revenue Section 529.

Termination of Contract - A tuition contract can be terminated upon one of the following events: (i) the beneficiary dies or becomes permanently disabled, (ii) the beneficiary is age 18 or older and decides not to attend college, (iii) the beneficiary obtains a higher education degree that is less than a bachelor's degree and decides not to pursue education further, (iv) the beneficiary obtains a bachelor's degree, and (v) the beneficiary's account contains 5 tuition units or less and no tuition units have been purchased for the beneficiary's account for a period of at least 3 consecutive years.

Refund Upon Termination - To request a refund, the refund recipient must send BEST written notice that the tuition units will not be used for college. A refund of tuition units for reasons other than death, disability, or scholarship will be subject to certain tax consequences. If the Refund Recipient is the child (Beneficiary) the refund will not be issued until the child reaches age 20.

Tax Treatment-Withdrawals for qualified higher educational expenses are exempt from municipal, state and federal taxation. Qualified withdrawals are withdrawals for tuition, books, supplies required for enrollment or attendance at a qualified higher educational institution, and some room and board expenses. Withdrawals for qualified scholarships or due to the beneficiary's attendance at a military academy are subject to federal income tax on the earnings only. Withdrawals for a scholarship refund or due to the beneficiary's attendance at a military academy are not subject to the 10% additional tax. The earnings on tuition units for non-qualified withdrawals are subject to federal income tax and a 10% additional tax.

Financial Aid Treatment- Funds saved in prepaid 529 plans may affect the amount of financial aid that the beneficiary will qualify for. For BEST accounts owned by parents, the refund value of the prepaid BEST account must be reported. This amount is added to any other investments, which include, but are not limited to, real estate (not the family home), trust funds, UGMA or UTMA accounts, money market funds, certificates of deposits, stocks, stock options, bonds, other securities, Coverdell Education Savings Accounts, and 529 Savings accounts. Only a percentage of the value of all investments is considered in the calculation of the expected family contribution for aid qualification.

Summary of Actuarial Assumptions

Investment Return

The valuation was conducted using a 6.25% investment rate of return.

Tuition Increases

Tuition and fees were assumed to increase at 7.50% per year.

Expenses

Operational expenses of the BEST program are assumed to be funded by (i) the per unit adjustment to the unit purchase price for expenses and actuarial soundness, (ii) the $50 initiation fee charged for all new contracts purchased prior to March 29, 2000, and (iii) that portion of the market value of assets which is reserved for future expenses. Therefore, the impact of future expenses is not reflected in this valuation report.

Age at Enrollment

Age at enrollment is assumed to be (i) age 18, or (ii) for beneficiaries who are age 17 or older as of the beginning of the academic term with units purchased in the preceding year, two full years after the beginning of that academic term.

Rate of Usage

Tuition units are used during the two-year period following the assumed enrollment age. Participants with more than one year's worth of units are assumed to use those units over more than one academic year.

Mortality Rates

None

2008 – 2009 Weighted Average Tuition

The purchase price and payout value of tuition units are based primarily on the weighted average tuition ("WAT"). The WAT for a given enrollment year is based on actual tuition and actual fees at Tennessee's public four-year universities for the academic year. The sum of the tuition and fee amounts for each school is then weighted by the school's enrollment at the beginning of the prior academic year.

The purchase price of one unit is equal to one percent of the WAT plus an amount to cover administrative expenses and the actuarial soundness of the program.

	Fall 2007 Enrollment	2008-09 Tuition & Fees *	Total Tuition
Austin Peay (APSU)	7,139	$5,526	$39,450,114
East Tennessee (ETSU)	10,770	5,201	56,014,770
Middle Tennessee (MTSU)	19,525	5,700	111,292,500
Tennessee State (TSU)	7,465	5,102	38,086,430
Tennessee Tech (TTU)	8,312	5,244	43,588,128
Univ of Memphis (UoM)	15,747	6,128	96,497,616
UT - Chattanooga (UTC)	8,168	5,310	43,372,080
UT - Knoxville (UTK)	24,160	6,250	151,000,000
UT - Martin (UTM)	6,108	5,255	32,097,540
	107,394		$611,399,178
Weighted Average Tuition (total tuition divided by total enrollment)			$5,693
Tuition Unit Payout Value (1% of WAT)			$56.93
Adjustment for expenses			3.87
Adjustment for actuarial soundness			4.86
Tuition Unit Purchase Price**			$65.66

* Tuition and fees are based on the actual amounts for the 2008-2009 academic year.
** The tuition unit purchase price increased to $67.71 effective January 1, 2009.

History of Payout Value and Purchase Price

The following table provides a historical account of the unit payout value and unit purchase price since inception of the BEST program.

Enrollment Year	Unit Payout Value	Adjustment for Expenses	Adjustment for Actuarial Soundness	Unit Purchase Price	Adjustment for Purchases after December 31	Adjusted Unit Purchase Price
1996-1997 *	$21.64	$2.11	$0.00	$23.75	$0	$23.75
1997-1998	21.64	2.11	0.00	23.75	0	23.75
1998-1999	25.00	1.75	0.00	26.75	1.25	28.00
1999-2000	27.08	1.92	0.00	29.00	1.25	30.25
2000-2001	29.58	1.92	0.00	31.50	1.50	33.00
2001-2002	33.51	0.99	0.00	34.50	2.35	36.85
2002-2003	35.98	1.02	0.00	37.00	1.40	38.40
2003-2004	40.70	1.30	0.00	42.00	1.60	43.60
2004-2005	43.15	2.10	3.71	48.96	1.84	50.80
2005-2006	47.71	2.28	4.07	54.06	2.03	56.09
2006-2007	49.72	2.98	4.24	56.94	2.14	59.08
2007-2008	53.79	3.13	4.56	61.48	2.15	63.63
2008-2009	56.93	3.87	4.86	65.66	2.05	67.71

* The enrollment period for 1996-97 was from June 9, 1997 to August 5, 1997. This was the initial enrollment period for the program, and it was decided to use the same purchase price as that to be used for the 1997-98 enrollment year.

Projection of Payout Value and Purchase Price

The following table shows a projection of the tuition unit purchase price and payout value. The projected payout value is equal to the projected weighted average tuition using a tuition inflation rate of 7.5%. The projected adjustment for expenses and actuarial soundness is based on (i) initial values of $3.87 for expenses and $4.86 for actuarial soundness for the enrollment year beginning August 1, 2008 and (ii) and inflation rate for expenses of 3.75% and inflation rate for actuarial soundness of 7.5%. The actual values for the enrollment year beginning August 1, 2008 are shown.

Enrollment Year Beginning	Projected Unit Payout Value	Projected Adjustment for Expenses**	Projected Adjustment for Actuarial Soundness**	Projected Unit Price
August 1, 2008 *	56.93	3.87	4.86	65.66
August 1, 2009	61.20	4.02	5.22	70.44
August 1, 2010	65.79	4.17	5.61	75.57
August 1, 2011	70.72	4.33	6.03	81.08
August 1, 2012	76.02	4.49	6.48	86.99
August 1, 2013	81.72	4.66	6.97	93.35
August 1, 2014	87.85	4.83	7.49	100.17
August 1, 2015	94.44	5.01	8.05	107.50
August 1, 2016	101.52	5.20	8.65	115.37
August 1, 2017	109.13	5.40	9.30	123.83
August 1, 2018	117.31	5.60	10.00	132.91
August 1, 2019	126.11	5.81	10.75	142.67
August 1, 2020	135.57	6.03	11.56	153.16
August 1, 2021	145.74	6.26	12.43	164.43
August 1, 2022	156.67	6.49	13.36	176.52
August 1, 2023	168.42	6.73	14.36	189.51
August 1, 2024	181.05	6.98	15.44	203.47
August 1, 2025	194.63	7.24	16.60	218.47
August 1, 2026	209.23	7.51	17.85	234.59
August 1, 2027	224.92	7.79	19.19	251.90

*actual values

History of Increases – Tuition and Fees

The table below and the tables on the succeeding pages show the history of increases in (i) tuition and fees combined, (ii) tuition only and (iii) fees only, respectively. These tables may be helpful in analyzing trends in tuition and fee inflation.

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
APSU	**3,190**	**3,454**	**4,004**	**4,224**	**4,635**	**4,837**	**5,238**	**5,526**
Increase	13.40%	8.28%	15.92%	5.49%	9.73%	4.36%	8.29%	5.50%
ETSU	**3,119**	**3,311**	**3,839**	**4,059**	**4,487**	**4,637**	**4,887**	**5,201**
Increase	13.05%	6.16%	15.95%	5.73%	10.54%	3.34%	5.39%	6.43%
MTSU	**3,178**	**3,426**	**3,990**	**4,210**	**4,576**	**4,766**	**5,278**	**5,700**
Increase	13.87%	7.80%	16.46%	5.51%	8.69%	4.15%	10.74%	8.00%
TSU	**2,987**	**3,252**	**3,788**	**4,008**	**4,384**	**4,534**	**4,856**	**5,102**
Increase	12.67%	8.87%	16.48%	5.81%	9.38%	3.42%	7.10%	5.07%
TTU	**3,066**	**3,266**	**3,750**	**3,970**	**4,396**	**4,562**	**4,980**	**5,244**
Increase	14.96%	6.52%	14.82%	5.87%	10.73%	3.78%	9.16%	5.30%
UoM	**3,472**	**3,704**	**4,234**	**4,480**	**5,084**	**5,256**	**5,802**	**6,128**
Increase	12.47%	6.68%	14.31%	5.81%	13.48%	3.38%	10.39%	5.62%
UTC	**3,236**	**3,550**	**3,852**	**4,093**	**4,500**	**4,688**	**5,062**	**5,310**
Increase	14.18%	9.70%	8.51%	6.26%	9.94%	4.18%	7.98%	4.90%
UTK	**3,784**	**4,056**	**4,450**	**4,749**	**5,290**	**5,576**	**5,932**	**6,250**
Increase	12.55%	7.19%	9.71%	6.72%	11.39%	5.41%	6.38%	5.36%
UTM	**3,280**	**3,515**	**3,847**	**4,134**	**4,493**	**4,665**	**5,005**	**5,255**
Increase	15.90%	7.16%	9.45%	7.46%	8.68%	3.83%	7.29%	5.00%
Averages								
Weighted Avg[1]	**3,351**	**3,598**	**4,070**	**4,315**	**4,771**	**4,972**	**5,379**	**5,693**
Increase	13.29%	7.37%	13.12%	6.02%	10.57%	4.21%	8.19%	5.84%

[1] Weighted Averages shown are derived using Fall enrollment figures from the preceding year.

History of Increases – Tuition only

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
APSU	**2,556**	**2,748**	**3,132**	**3,352**	**3,678**	**3,828**	**4,058**	**4,302**
Increase	15.03%	7.51%	13.97%	7.02%	9.73%	4.08%	6.01%	6.01%
ETSU	**2,556**	**2,748**	**3,132**	**3,352**	**3,678**	**3,828**	**4,058**	**4,302**
Increase	15.03%	7.51%	13.97%	7.02%	9.73%	4.08%	6.01%	6.01%
MTSU	**2,556**	**2,748**	**3,132**	**3,352**	**3,678**	**3,828**	**4,058**	**4,302**
Increase	15.03%	7.51%	13.97%	7.02%	9.73%	4.08%	6.01%	6.01%
TSU	**2,556**	**2,748**	**3,132**	**3,352**	**3,678**	**3,828**	**4,058**	**4,302**
Increase	15.03%	7.51%	13.97%	7.02%	9.73%	4.08%	6.01%	6.01%
TTU	**2,556**	**2,748**	**3,132**	**3,352**	**3,678**	**3,828**	**4,058**	**4,302**
Increase	15.03%	7.51%	13.97%	7.02%	9.73%	4.08%	6.01%	6.01%
UoM	**2,858**	**3,072**	**3,502**	**3,748**	**4,216**	**4,388**	**4,652**	**4,978**
Increase	15.06%	7.49%	14.00%	7.02%	12.49%	4.08%	6.02%	7.01%
UTC	**2,698**	**2,800**	**3,052**	**3,293**	**3,600**	**3,748**	**3,972**	**4,210**
Increase	15.00%	3.78%	9.00%	7.90%	9.32%	4.11%	5.98%	5.99%
UTK	**3,234**	**3,476**	**3,788**	**4,087**	**4,618**	**4,830**	**5,120**	**5,428**
Increase	15.01%	7.48%	8.98%	7.89%	12.99%	4.59%	6.00%	6.02%
UTM	**2,698**	**2,900**	**3,162**	**3,412**	**3,744**	**3,916**	**4,150**	**4,400**
Increase	15.00%	7.49%	9.03%	7.91%	9.73%	4.59%	5.98%	6.02%
Averages								
Weighted Average	**2,783**	**2,983**	**3,337**	**3,578**	**3,968**	**4,137**	**4,383**	**4,653**
Increase	15.00%	7.19%	11.87%	7.22%	10.90%	4.26%	5.95%	6.16%

* The Weighted Averages shown are derived using Fall enrollment figures from the preceding year.

History of Increases – Fees only

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
APSU	**634**	**706**	**872**	**872**	**957**	**1,009**	**1,180**	**1,224**
Increase	7.28%	11.36%	23.51%	0.00%	9.75%	5.43%	16.95%	3.73%
ETSU	**563**	**563**	**707**	**707**	**809**	**809**	**829**	**899**
Increase	4.84%	0.00%	25.58%	0.00%	14.43%	0.00%	2.47%	8.44%
MTSU	**622**	**678**	**858**	**858**	**898**	**938**	**1,220**	**1,398**
Increase	9.31%	9.00%	26.55%	0.00%	4.66%	4.45%	30.06%	14.59%
TSU	**431**	**504**	**656**	**656**	**706**	**706**	**798**	**800**
Increase	0.47%	16.94%	30.16%	0.00%	7.62%	0.00%	13.03%	0.25%
TTU	**510**	**518**	**618**	**618**	**718**	**734**	**922**	**942**
Increase	14.61%	1.57%	19.31%	0.00%	16.18%	2.23%	25.61%	2.17%
UoM	**614**	**632**	**732**	**732**	**868**	**868**	**1,150**	**1,150**
Increase	1.82%	2.93%	15.82%	0.00%	18.58%	0.00%	32.49%	0.00%
UTC	**538**	**750**	**800**	**800**	**900**	**940**	**1,090**	**1,100**
Increase	10.25%	39.41%	6.67%	0.00%	12.50%	4.44%	15.96%	0.92%
UTK	**550**	**580**	**662**	**662**	**672**	**746**	**812**	**822**
Increase	0.00%	5.45%	14.14%	0.00%	1.51%	11.01%	8.85%	1.23%
UTM	**582**	**615**	**685**	**722**	**749**	**749**	**855**	**855**
Increase	20.25%	5.67%	11.38%	5.40%	3.74%	0.00%	14.15%	0.00%
Averages								
Weighted Average	**568**	**615**	**733**	**736**	**803**	**835**	**995**	**1,040**
Increase	5.58%	8.27%	19.19%	0.41%	9.10%	3.99%	19.16%	4.52%

* Weighted Averages shown are derived using Fall enrollment figures from the preceding year.

Cash Flow Analysis

The following exhibit was generated from a cash flow model which considers only those tuition units outstanding as of September 30, 2008.

The model utilizes the valuation assumptions in determining future tuition payments. Based on the valuation assumptions, all tuition units outstanding as of September 30, 2008 are assumed to be paid out on or before September 30, 2028.

Plan Year Ending	Market Value BOY	Tuition Payments	Investment Income	Market Value EOY
2009	82,867,795	19,473,134	3,962,166	67,356,827
2010	67,356,827	12,072,251	3,455,286	58,739,862
2011	58,739,862	7,656,838	3,192,689	54,275,713
2012	54,275,713	8,554,362	2,857,584	48,578,935
2013	48,578,935	9,486,840	2,443,256	41,535,351
2014	41,535,351	9,364,703	2,010,665	34,181,313
2015	34,181,313	9,257,721	1,557,724	26,481,316
2016	26,481,316	9,348,521	1,070,800	18,203,595
2017	18,203,595	8,712,852	593,171	10,083,914
2018	10,083,914	8,207,340	117,286	1,993,860
2019	1,993,860	6,802,924	(300,567)	(5,109,632)
2020	(5,109,632)	5,544,552	(665,886)	(11,320,070)
2021	(11,320,070)	4,445,747	(985,364)	(16,751,181)
2022	(16,751,181)	3,966,023	(1,294,825)	(22,012,029)
2023	(22,012,029)	2,935,369	(1,559,212)	(26,506,610)
2024	(26,506,610)	1,875,862	(1,773,904)	(30,156,376)
2025	(30,156,376)	1,889,800	(2,002,886)	(34,049,062)
2026	(34,049,062)	1,490,087	(2,221,197)	(37,760,346)
2027	(37,760,346)	524,121	(2,392,779)	(40,677,246)
2028	(40,677,246)	121,232	(2,549,905)	(43,348,383)

Unit Purchases by Year

The following exhibit summarizes unit purchase activity by enrollment year. The cumulative units at the end of the enrollment year equal cumulative units at the beginning of the year plus purchases and transfers less withdrawals.

Enrollment Year*	Cumulative Units at Beginning of Enrollment year	Purchases ^	Withdrawals^	Cumulative Units at End of Enrollment year
1996-1997	0	36,494	0	36,494
1997-1998	36,494	344,850	102	381,242
1998-1999	381,242	266,774	368	647,648
1999-2000	647,648	196,726	7,376	836,998
2000-2001	836,998	221,167	13,893	1,044,272
2001-2002	1,044,272	240,045	31,356	1,252,961
2002-2003	1,252,961	245,004	38,092	1,459,873
2003-2004	1,459,873	184,210	63,301	1,580,782
2004-2005	1,580,782	160,632	94,773	1,646,641
2005-2006	1,646,641	94,491	82,115	1,659,017
2006-2007	1,659,017	97,791	114,499	1,642,309
2007-2008	1,642,309	82,005	123,631	1,600,683
2008-2009 **	1,600,683	10,606	16,793	1,594,496

*Enrollment year is defined as August 1 through July 31.
**Represents activity for the 2008-2009 enrollment year through September 30, 2008.
^ Revised from prior reports.

New Contracts by Year

The following exhibit summarizes contract purchase activity by enrollment year.

Enrollment Year*	Cumulative Contracts at Beginning of Enrollment year	Net Change in Number of Contracts	Cumulative Contracts at End of Enrollment year ^
1996-1997	0	675	675
1997-1998	675	2,685	3,360
1998-1999	3,360	1,581	4,941
1999-2000	4,941	1,119	6,060
2000-2001	6,060	849	6,909
2001-2002	6,909	808	7,717
2002-2003	7,717	566	8,283
2003-2004	8,283	398	8,681
2004-2005	8,681	298	8,979
2005-2006	8,979	199	9,178
2006-2007	9,178	224	9,402
2007-2008	9,402	265	9,667
2008-2009 **	9,667	34	9,701

*Enrollment year is defined as August 1 through July 31.
**Represents activity for the 2008-2009 enrollment year through September 30, 2008.
^ Revised from prior reports.

Unit Purchases by Age

The following exhibit may be helpful in analyzing the demographic composition of BEST beneficiaries. A breakdown of unit purchases for last four enrollment years is shown, along with a breakdown of units outstanding as of September 30, 2008.

	2004-05		2005-06		2006-07		2007-08		Total at 9/30/2008	
Age Last Birthday at End of Enrollment Year	Units Purchases	Percent of Total	Units Purchases	Percent of Total	Units Purchases	Percent of Total	Units Purchases	Percent of Total	Units Outstanding	Percent of Total
0	2,320	1.44%	1,238	1.31%	702	0.72%	287	0.35%	539	0.03%
1	3,055	1.90%	3,861	4.09%	4,519	4.62%	1,693	2.06%	2,505	0.16%
2	3,514	2.19%	1,654	1.75%	2,671	2.73%	2,254	2.75%	7,656	0.48%
3	4,813	3.00%	2,318	2.45%	1,734	1.77%	2,106	2.57%	10,438	0.65%
4	4,240	2.64%	2,750	2.91%	2,250	2.30%	2,936	3.58%	11,017	0.69%
5	5,665	3.53%	4,546	4.81%	3,201	3.27%	2,012	2.45%	18,760	1.18%
6	6,493	4.04%	4,660	4.93%	3,184	3.26%	2,077	2.53%	26,641	1.67%
7	8,838	5.50%	4,208	4.45%	4,477	4.58%	3,545	4.32%	33,461	2.10%
8	6,432	4.00%	6,382	6.75%	5,967	6.10%	5,612	6.84%	43,966	2.76%
9	7,396	4.60%	4,748	5.02%	4,461	4.56%	4,949	6.04%	57,991	3.64%
10	8,986	5.59%	7,142	7.56%	5,846	5.98%	4,953	6.04%	75,102	4.71%
11	8,644	5.38%	5,556	5.88%	6,818	6.97%	5,007	6.11%	85,560	5.37%
12	11,432	7.12%	4,620	4.89%	4,600	4.70%	7,215	8.80%	98,560	6.18%
13	8,388	5.22%	4,901	5.19%	6,536	6.68%	4,299	5.24%	106,179	6.66%
14	9,301	5.79%	5,496	5.82%	5,305	5.43%	4,302	5.25%	114,470	7.18%
15	13,924	8.67%	6,734	7.13%	5,280	5.40%	5,584	6.81%	124,918	7.83%
16	10,633	6.62%	5,493	5.81%	5,950	6.08%	6,275	7.65%	120,830	7.58%
17	11,267	7.01%	5,701	6.03%	6,290	6.43%	4,020	4.90%	116,262	7.29%
18	9,777	6.09%	5,233	5.54%	4,735	4.84%	4,433	5.41%	133,966	8.40%
19	4,325	2.69%	2,185	2.31%	4,544	4.65%	3,043	3.71%	126,838	7.95%
over 20	11,191	6.97%	5,067	5.36%	8,718	8.92%	5,404	6.59%	278,837	17.49%
Total	160,632	100.00%	94,491	100.00%	97,791	100.00%	82,005	100.00%	1,594,496	100.00%